CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 22, 2018

H.R. 3325
Advancing Care for Exceptional Kids Act

As ordered reported by the House Committee on Energy and Commerce on September 13, 2018

SUMMARY

H.R. 3325 would allow states to receive an enhanced level of federal Medicaid funding for one year for health home programs that specialize in coordinating care for children with complex medical conditions. After that time, states could continue providing this benefit at the state's regular Medicaid matching rate. In addition, the legislation would provide $25 million for states to plan for those programs. CBO estimates that enacting H.R. 3325 would increase direct spending by $302 million over the 2019-2028 period.

The bill also would require the Secretary of Health and Human Services (HHS) to issue guidance to states on coordinating care for children by out-of-state providers and direct the Medicaid and Children's Health Insurance Program Payment and Access Commission (MACPAC) to issue a report about children with complex medical conditions. CBO estimates that implementing those provisions would cost $2 million over the 2019-2023 period, assuming appropriation of the necessary amounts.

Enacting H.R. 3325 would affect direct spending; therefore, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

CBO estimates that enacting H.R. 3325 would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2029.

H.R. 3325 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 3325 is shown in the following table. The costs of the legislation fall within budget function 550 (health).

	By Fiscal Year, in Millions of Dollars											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
INCREASES IN DIRECT SPENDING												
Estimated Budget Authority	0	46	37	35	33	32	32	31	29	28	151	303
Estimated Outlays	0	26	51	40	34	32	32	31	29	28	151	302
INCREASES IN SPENDING SUBJECT TO APPROPRIATION												
Estimated Authorization Level	1	1	*	*	*	*	*	*	*	*	2	4
Estimated Outlays	1	1	*	*	*	*	*	*	*	*	2	4

Notes: * = between $0 and $500,000. Components may not sum to totals because of rounding.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted early in fiscal year 2019 and that the estimated amounts will be appropriated each year.

Direct Spending

H.R. 3325 would allow states to receive an enhanced level of federal Medicaid funding for health home programs that specialize in coordinating care for children with complex medical conditions. After that time, states could continue providing that benefit at the state's regular Medicaid matching rate.

The bill would create a state option that is similar to an existing Medicaid program under Section 1945 of the Social Security Act. Section 1945 created a state option to provide additional care coordination for Medicaid enrollees with chronic conditions through arrangements described as health homes. States can receive two years of enhanced federal funding for health home services. While states can include children in their health homes through Section 1945, the programs cannot exclusively enroll children under current law.

Eligibility. H.R. 3325 would limit participation to Medicaid-eligible children with medically complex conditions. It defines "medical complexity" to include children with at least one chronic condition that affects three or more organ systems and severely reduces cognitive or physical functioning, a life-limiting illness, or a rare pediatric disease. Based on an analysis of the 2016 National Survey of Children's Health, CBO estimates that approximately 1 percent of children enrolled in Medicaid (about 300,000) would meet those eligibility criteria.

State Participation. Under H.R. 3325, states would have the option to cover health home services for medically complex children in their Medicaid programs but would not be required to do so. CBO estimates that about one third of Medicaid children live in states that elected to cover health home services under Section 1945. However, the financial incentive to cover health home services under Section 1945 is stronger than it would be under H.R. 3325; Section 1945 provides states with two years of enhanced federal Medicaid funding, while H.R. 3325 would provide states with one year of enhanced funding. For that reason, CBO estimates that the state participation rate under H.R. 3325 would be approximately half of the participation rate under of Section 1945.

Additionally, CBO expects that not all families of children eligible for this program would choose to participate. In sum, CBO estimates that approximately 28,000 children would enroll in health homes each year under H.R. 3325 after a phase-in period.

Per-capita spending. The services that would be provided to eligible children under H.R. 3325 include care coordination, care management, health promotion, transitional care, patient and family support, referrals to community and social supports, and the use of health information technology to link services. These services are nearly identical to the services provided to individuals under Section 1945.

CBO based per-capita spending estimates for children enrolled in health homes under H.R. 3325 on spending data from states participating in Section 1945 health homes. CBO increased these estimates slightly because children enrolled in health homes under H.R. 3325 may receive services from specialty hospitals, which tend to be more expensive. In total, CBO estimates that the per-capita cost for services for children enrolled in health homes under H.R. 3325 would be approximately $1,800 in 2019.

Phase-in and phase-out. CBO estimates that under H.R. 3325, there would be a phase-in period of several years. In addition, CBO expects that some states would choose to discontinue their health home program after the enhanced federal funding ends. CBO projected the phase-in and phase-out rates based on state implementation and discontinuation of health homes under Section 1945.

In sum, CBO estimates that enacting H.R. 3325 would cost approximately $302 million over the 2019-2028 period. Of this, $278 million is associated with increased federal Medicaid spending for care coordination services provided to eligible children in health homes. An additional $25 million is associated with the planning grants made available to states under the bill.

Spending Subject to Appropriation

H.R. 3325 would require the Secretary of HHS to issue guidance to states on coordinating care for children from out-of-state providers. The guidance would be issued no later than two years after enactment of H.R. 3325 and would be updated as the Secretary determines necessary. Because HHS has already issued guidance on this topic, CBO estimates that updating it would cost less than $500,000 over the 2019-2023 period.

In addition, CBO expects that HHS would need additional staff to provide technical assistance to states as they implement this state option. Based on information from HHS, CBO estimates that the assistance would require the equivalent of two full-time employees and would cost about $2 million over the 2019-2023 period.

H.R. 3325 also would direct MACPAC to study children with complex medical conditions. Based on information from the Commission, CBO estimates that implementing this provision would cost less than $500,000 over the 2019-2023 period.

Uncertainty

CBO endeavors to develop estimates that are in the middle of the distribution of potential budgetary outcomes. In this case, uncertainty about which states would participate and for how long is the primary source of uncertainty. A second source of uncertainty is that health homes authorized under H.R. 3325 could charge significantly higher or lower rates than those currently participating in health homes under Section 1945, which would change the budgetary impact substantially.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 3325, as ordered reported by the Senate/House Committee on Energy and Commerce on September 13, 2018

	By Fiscal Year, in Millions of Dollars											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
					NET INCREASE IN THE DEFICIT							
Statutory Pay-As-You-Go Effect	0	26	51	40	34	32	32	31	29	28	151	302

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 3325 would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

H.R. 3325 contains no intergovernmental or private-sector mandates as defined in UMRA.

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